



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Retirement Note

Short Title: Ret. & Treasury Tech. Corrections Act of 2021.-AB
Bill Number: Senate Bill 277 (First Edition)
Sponsor(s): Senators Alexander and Burgin

SUMMARY TABLE

ACTUARIAL IMPACT OF S.B. 277, V. 1 (\$ in thousands)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Sections 2.1 and 2.2 have potential actuarial impacts on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS) and Registers of Deeds' Supplemental Pension Fund (RDSPF)

Section 2.1: Adds a cross-reference in TSERS statutes to G.S. 120-32(1), related to return-to-work exemptions for temporary employees of the General Assembly. Both Cavanaugh Macdonald, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

Section 2.2: Clarifies that reporting funds to RDSPF by a County Commission constitutes certification of the accuracy of said amounts. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of RDSPF.

ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2019 actuarial valuations, except where new assumptions based on the experience study completed in 2020 would have a material impact on the results. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2019 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>RDSPF</u>
Active Members		
Count	305,962	100
General Fund Compensation	\$11,166M (2020 session)	Not applicable
Valuation Compensation (Total)	\$16,112M	\$7M
Average Age	45	56
Average Service	10.8	17.9
Inactive Members		
Count	183,347	1
Retired Members		
Count	228,291	99
Annual Benefits	\$4,804M	\$2M
Average Age	71	72
New Retirees During 2020	11,000	1

Financial Statistics (as of 12/31/2019 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>RDSPF</u>
Accrued Liability (AL)	\$84,873M	\$31M
Actuarial Value of Assets (AVA)	\$73,354M	\$50M
Market Value of Assets (MVA)	\$75,487M	\$51M
Unfunded Accrued Liability (AL - AVA)	\$11,520M	(\$19M)
Funded Status (AVA / AL)	86%	163%
Required Employer Contribution for FY 2021-22	15.74% of pay	\$0
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%	3.50% - 7.75%
Assumed Rate of Investment Return:	7.00%	3.75%
Cost Method: Entry Age Normal		
Amortization: 12 year, closed, flat dollar		
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015		

Benefit Provisions		
	<u>TSERS</u>	<u>RDSPF</u>
Formula	1.82% x Service x 4 Year Avg Pay	75% of salary; max of \$1,500
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	10 years of service as a Register of Deeds
Employee contribution (as % of pay)	6%	None

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from the Fiscal Research Division.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Cavanaugh Macdonald Consulting, LLC, "Retirement & Treasury Technical Corrections Act of 2021 – House Bill 175", March 9, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 175: Retirement and Treasury Technical Corrections Act of 2021 (Section 2)", March 2, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Senate Bill 277 (First Edition) is identical to House Bill 175 (First Edition).

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices